

Item No. 11.1.2
Halifax Regional Council
June 24, 2014

TO: Mayor Savage and Members of Halifax Regional Council

Original signed by 

SUBMITTED BY: _____
Richard Butts, Chief Administrative Officer

Original Signed by Director

Jane Fraser, Director, Planning & Infrastructure

DATE: March 25, 2014

SUBJECT: Sole Source Award, HVAC Upgrades, St. Margaret's Centre

ORIGIN

Approved 2013/2014 Project Budget, page A26.

LEGISLATIVE AUTHORITY

- HRM Charter, Section 79: Halifax Regional Council may expend money for municipal purposes.

RECOMMENDATION

It is recommended that Halifax Regional Council, in accordance with Administrative Order 35, Section 8(11A), Sub-section (f) "For work to be performed on property by a contractor according to provisions of a warranty or guarantee held in respect of the property or the original work" approve a \$65,274.69 (Net HST included) Sole Source Award for HVAC system retrofit capital project to Carmichael Engineering Limited with funding from CB000002-Multi District Facilities Upgrades as outlined in the Financial Implications section of this report.

BACKGROUND

The St. Margaret's Centre (SMC) is one of HRM's multi-district facilities (MDF) and is currently being reviewed as part of the MDF Project approved by Regional Council. That project is a multi-faceted review examining financial reporting, management accountability and alignment with HRM mandate. Under the current management agreement, SMC is responsible for funding operating expenses from operating funds. HRM is responsible for the funding and procurement of capital upgrades through HRM's Capital Budget.

In December 2012, St. Margaret's Centre entered into a 3-year maintenance agreement with Carmichael Engineering for the maintenance, inspection, and all emergency support required for the complete HVAC system at the two-pad arena and facility complex. The complexity of the system requires considerable knowledge and expertise of the various components, and therefore, is best provided by an individual service provider.

DISCUSSION

There are three reasons that this project is a priority for the St. Margaret's Centre:

1. The proposed HVAC system retrofit is designed to capture wasted energy from the evaporator condenser to heat water, thereby turning it into hot water to the coil loops, producing free heat which will reduce oil consumption. Facility staff estimates this will reduce energy consumption by approximately 32,270 kWh per year or approximately \$5,500 based on current energy costs.
2. The retrofit is also expected to reduce water consumption at the facility, also reducing operating expenses. The ice plant consumes 40 % of the facility's consumption. The goal of the project is to recover as much free heat as possible and cut the water to the point of eliminating one of the towers and replacing the remaining unit with a closed loop unit. Additionally, as SMC is currently on a well and septic system, the reduction in water consumption will ensure provincially regulated requirements in relation to water threshold limits are adhered.
3. The mechanical equipment at St. Margaret's Centre requires ongoing renewal as identified in the 2012 Building Condition Assessment completed by Capital Management Engineering.

The project addresses the three reasons of: ongoing equipment renewal; energy efficiency/operational savings; and minimizes the risk of non-compliance with the water consumption permit issued by Nova Scotia Environment. The financial payback is in the 5 to 10 year range: However, the ability to avoid fines or other measures resulting from non-compliance to the water consumption permit, provides additional value.

The recommended capital project is required for the HVAC system retrofit.

The scope is as follows:

- Supply and install 6 (six) new Delhi Series H/C Heating coils in the HRV ventilation systems to temper the fresh air which will reduce the 5 kw and 7 kw electric heating elements operation.
- Supply and install 3 (three) new ceiling mount Engineer Air Force Flow fan coil units which will provide heating to the hallways near the dressing areas and help reduce the demand from the oil-fired boilers.
- Supply and install new floor mount fan coil to supply heat for room #105 (Coaches room), replacing the existing baseboard heater.
- Completing the ductwork alterations to allow for the new coils, including necessary heat piping to each of the HRV and tie into the new coils with copper fitting valves and piping. New air vents installed at each coil and force flow heating fan coil.
- Approximately 100 feet of 1½ inch black iron piping to be installed.
- Approximately 220 feet of 3 inch black iron piping complete with mechanical fittings and valves.
- Includes: Supervision, project management, testing, commissioning and site cleanup.

The nature of the governance of the Saint Margaret's Centre requires the facility to administer the daily Operating Costs through the approval of the Board of Directors. It is under this authority that the required Operating and Maintenance Agreement was procured and approved at the Saint Margaret's Centre. Capital Project Costs are administered through HRM Procurement Policy and the HRM Capital Budget. In order to recognize the necessity of the HVAC System Operating Agreement at the Saint Margaret's Centre (which as an arena is a vital relationship), and the warranty of the maintenance of existing equipment in relationship to the recommended project, HRM staff are recommending the Sole Source procurement of this project.

As per Appendix "A", HRM's Procurement Policy (Administrative Order 35), **Sole Source/Single Source Purchases** – Section 8(11A), sub-section (a), provides for the municipality to enter into a sole source contract where a specific supplier is required to "maintain specialized products that must be maintained by the manufacturer or its representative".

The work has already been initiated under the Operating Agreement by St. Margaret's Centre staff as part of the approved 2013/14 workplan. This does not comply with Halifax Procurement Policy as work requires the appropriate HRM approvals prior to initiation. These approvals were not sought in advance by SMC staff. SMC staff and the Board have been reminded of this requirement. HRM staff received this quotation in January 2013 and submitted the report following the new 2014/15 approved budget, misunderstanding that the work was planned for 2013/14.

FINANCIAL IMPLICATIONS

Based on the September 18, 2013 quotation from Carmichael Engineering of \$62,592, plus net HST in the amount of \$2,682.69, for a total cost of \$65,274.69 (net HST included), funding is available in the approved Project Budget from Project No. CB000002 - Multi District Facilities Upgrades. The budget availability has been confirmed by Finance.

Budget Summary:	<u>Project No. CB000002 - Multi District Facilities Upgrades</u>	
	Cumulative Unspent Budget	\$4,295,626.06
	Less: Award (Net HST included)	<u>\$ 65,274.69</u>
	Balance	<u>\$4,230,351.37</u>

* This project was estimated in the Approved 2014/15 Project Budget at \$30,000. It assumed that an approximately \$60,000 project would qualify for energy rebates of \$30,000 from Efficiency Nova Scotia: However, this project displaces oil consumption and, as such, does not attract Efficiency NS rebates as desired. The approved \$48,000 Condenser project will be cancelled with the remaining funding being used for future HVAC upgrades as the proposed integrated solution negates the requirement for this separate project.

The balance of funds will be used for other Multi District Facility upgrade work.

ENVIRONMENTAL IMPLICATIONS

The project will reduce energy and water consumption at the facility.

ALTERNATIVES

Alternative: Regional Council may choose to not award the sole source. This is not recommended. This would result in the separation of the remaining work (about 80%) into a public solicitation which, if awarded to another supplier, may complicate warranty accountability and jeopardize system reliability, and create financial risk, as a result.

ATTACHMENTS

Attachment "A" – Sole Source/Single Source Purchases

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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**Attachment A
Administrative Order 35
Procurement Policy Section 8 (11) (A)
Sole Source/Single Source Purchases**

(11) Alternative Procurement Practices may be used as follows:

A. Sole Source/Single Source Purchases. These occur:

- (a) To ensure compatibility with existing products, to recognize exclusive rights, such as exclusive licences, copyright and patent rights, or to maintain specialized products that must be maintained by the manufacturer or its representative.
- (b) Where there is an absence of competition for technical reasons and the goods or services can be supplied only by a particular supplier and no alternative or substitute exists.
- (c) For the procurement of goods or services the supply of which is controlled by a supplier that is a statutory monopoly.
- (d) For the purchase of goods on a commodity market.
- (e) For work to be performed on or about a leased building or portions thereof that may be performed only by the lessor.
- (f) For work to be performed on property by a contractor according to provisions of a warranty or guarantee held in respect of the property or the original work.
- (g) For the procurement of a prototype of a first good or service to be developed in the course of and for a particular contract for research, experiment, study or original development, but not for any subsequent purchases.
- (h) For the purchase of goods under exceptionally advantageous circumstances such as bankruptcy or receivership
- (i) For the procurement of original works of art.
- (j) For the procurement of goods intended for resale to the public.
- (k) For the procurement from a public body or a not-for-profit corporation.
- (l) For the procurement of goods or services for the purpose of evaluating or piloting new or innovative technology with demonstrated environmental, economic or social benefits when compared to conventional technology, but not for any subsequent purchases.